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TODAY

NEWS MONDAY

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WASHINGTON MONDAY

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High-Tech Card Service Lures Stores

By MICHAEL WEINSTEIN

NEW YORK — More than three-quarters of the nation's top credit card banks are offering a sophisticated, new technology to their merchant customers, a recent *American Banker* survey of major U.S financial institutions shows.

The technology, known as data or draft capture, enables a merchant to get credit for bank card transactions without depositing paper sales slips at its bank.

Normally, merchants deposit credit card sales drafts together with cash at their local bank, or they mail the slips to their bank. Data capture technology moves this information over telephone lines to computers, so it is faster, more efficient, and often cheaper than the paper-based system.

Earlier this year, the newspaper mailed 130 questionnaires to the biggest financial institutions in the credit card business and 77 responses were received by mail or follow-up telephone calls from January through early July.

The newspaper's survey found that 79% of the responding banks — 57 of the 72 banks with merchant operations — offer data capture service. And more than one-half of the banks that do not offer data capture said they expect to do so within the next year.

"It kind of popped up rather quickly," said Donald J. Auriemma, a Garden City, N.Y., consultant. Mr. Aur-

Draft Capture: Page 17 ➡

Top Banks Handling Merchant Bank Card Transactions[1]

	Number of Merchants	Number of Merchant Sites
Citicorp	1,000,000	1,500,000
Chase Manhattan	1,000,000	1,000,000
Bank of America	1,000,000	1,000,000
First Chicago	500,000	500,000
Manufacturers Hanover	500,000	500,000
Security Pacific	500,000	500,000
Wells Fargo	500,000	500,000
First Interstate	500,000	500,000
Bankers Trust	500,000	500,000
Continental Illinois	500,000	500,000
Crocker National[2]	500,000	500,000
Mellon	500,000	500,000
Wachovia	500,000	500,000
First Union	500,000	500,000
Marine Midland	500,000	500,000
Fleet/Norstar	500,000	500,000
Meridian	500,000	500,000
Valley National	500,000	500,000
Republic of Texas	500,000	500,000
Comerica	500,000	500,000
Northern Trust	500,000	500,000
Boatmen's	500,000	500,000
Mercantile	500,000	500,000
Huntington	500,000	500,000
Central Fidelity	500,000	500,000
Sovran	500,000	500,000
Signet	500,000	500,000
Barnett	500,000	500,000
Southeast	500,000	500,000
Sun Trust	500,000	500,000
First Wachovia	500,000	500,000
Central Carolina	500,000	500,000
First Tennessee	500,000	500,000
Liberty National	500,000	500,000
Commerce	500,000	500,000
Boston	500,000	500,000
Shawmut	500,000	500,000
Rhode Island Hospital	500,000	500,000
Fidelcor	500,000	500,000
Girard	500,000	500,000
Philadelphia National	500,000	500,000
Meridian	500,000	500,000
Provident National	500,000	500,000
Pittsburgh National	500,000	500,000
Mellon	500,000	500,000
Integra	500,000	500,000
Keystone	500,000	500,000
Bank One	500,000	500,000
Ameritrust	500,000	500,000
Society	500,000	500,000
Huntington	500,000	500,000
Star	500,000	500,000
Old Kent	500,000	500,000
Comerica	500,000	500,000
Detroit Bank	500,000	500,000
Michigan National	500,000	500,000
Northern Trust	500,000	500,000
First Chicago	500,000	500,000
Harris	500,000	500,000
Continental Illinois	500,000	500,000
Boatmen's	500,000	500,000
Mercantile	500,000	500,000
Commerce	500,000	500,000
Centerre	500,000	500,000
Magna	500,000	500,000
First Bank	500,000	500,000
Norwest	500,000	500,000
Marquette	500,000	500,000
First Wisconsin	500,000	500,000
Firstar	500,000	500,000
Bank of Montreal	500,000	500,000
Harris	500,000	500,000
Continental Illinois	500,000	500,000
Boatmen's	500,000	500,000
Mercantile	500,000	500,000
Commerce	500,000	500,000
Centerre	500,000	500,000
Magna	500,000	500,000
First Bank	500,000	500,000
Norwest	500,000	500,000
Marquette	500,000	500,000
First Wisconsin	500,000	500,000
Firstar	500,000	500,000
Bank of Montreal	500,000	500,000

[1] Of those responding to the American Banker survey. This table, originally published August 14, has been expanded based on information received late last week. [2] Includes accounts of Crocker National Bank. [3] Figures represent only merchants in Delaware and Pennsylvania.

Bank Board Ends Bid to Restrict Loans

By NINA EASTON

WASHINGTON — In the face of widespread industry opposition, the Federal Home Loan Bank Board has dropped a proposal that would have restricted the ability of thrifts to make loans outside their home territories. Instead, the agency adopted stricter record-keeping requirements on those loans.

Thrifts

The board on Friday also decided to impose higher net worth requirements on the industry — requiring that thrifts maintain capital levels equal to 6% of their liabilities — but compromised with industry trade groups over the phase-in period for the new standard. The current standard is 3%.

Beginning next year, the 6% requirement will be phased in over a period of six to 12 years, board officials said, depending on the industry's profitability.

In addition, the Bank Board dropped a proposal to increase the required level of liquid assets that thrifts must have on hand, a plan that has drawn strong industry opposition. And the agency issued a proposed rule that would further limit lending to a single borrower.

Thrift Rules: Page 7 ➡

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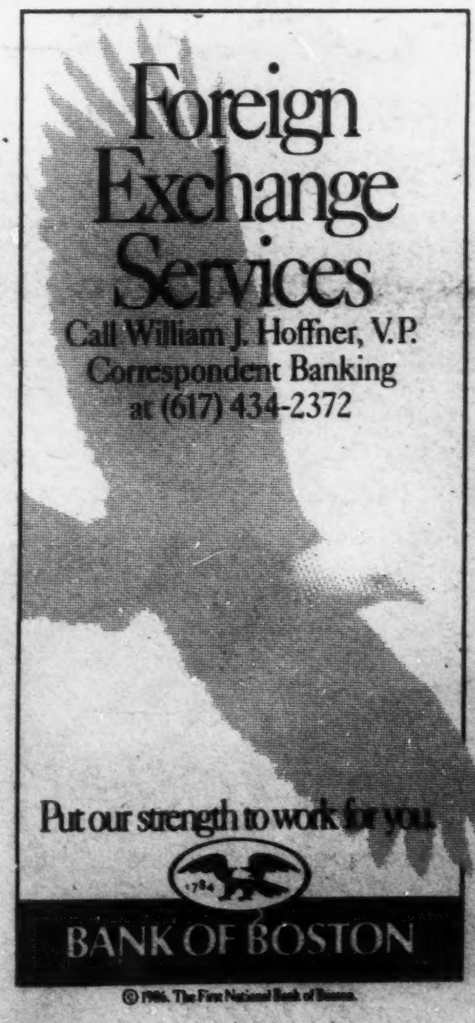


Most Big Credit Card Banks Offer Merchant Customers Fast, High-Tech Payment on Credit Card Transactions

Continued from Page 1

iemma says he thinks that only about 10% of banks were providing data capture service two years ago. "That's a significant change in a short period time," he added.

The *American Banker* survey also found that at most institutions, data capture accounts for a relatively small amount of the dollar volume being deposited by their merchants. Data capture accounts for no more than 5% of total volume at about one-half of the banks that offer it.

THE CREDIT CARD BOOM
THIRD IN A SERIES

"I wouldn't bet my bankroll on a lot of high activity," said Randolph W. Wyckoff, senior vice president at Richmond-based Bank of Virginia, which offers data capture.

"There are a lot of things that have to be overcome," he said, referring to certain operational difficulties.

Special Tools Needed

Data capture requires special equipment at the merchant checkout counter that automatically reads the data encoded in the magnetic tape of the credit cards. Many national retailers already have installed such hardware as part of their own operations, but for smaller merchants this terminal can entail extra expense.

Banks offering data capture...
Yes 57 *No* 15

"The big guys have already got in place a mechanism, and have been doing that for some years," said Joseph C. Denaro, vice president and director of credit at the Framingham, Mass.-based Zayre Corp. "They did this with the anticipation of lower rates."

Banks charge merchants a fee, known as a discount fee, for credit card services. Each bank and merchant individually negotiate each fee, and the rates are lower for retailers with higher volumes and higher average sales.

Data capture allows banks to lower the discount fee, since the technology cuts their costs. Cumbersome paper-handling is reduced, and the processing fees that MasterCard International Inc. and Visa U.S.A. Inc. charge the banks for transactions decrease when data capture is used.

Smaller, local merchants are "a different animal," said Charles F. Brown Jr., a principal of Payment Interface Associates, a Severna Park, Md., consulting firm.

"I don't think they understand what's really going on," Mr. Brown said, adding that data capture is not necessarily cheaper for small retailers. The terminal costs extra, and sometimes banks do not lower the discount fee even though the merchants are using data capture, he said.

However, the technology has advantages for the small retailer.

The use of the special card-reading device means that all credit card transactions are authorized by a computer center, which verifies that the cards are not stolen or otherwise invalid. Without data capture, not all credit card transactions are authorized.

The terminal also handles settlement of bank card transactions, so merchants get credit for the transactions — without depositing the paper sales drafts — at the end of the day. If a retailer mails its credit card slips to the bank, crediting is delayed by a few days.

Small Retailers Approve

Smaller retailers also like the technology because it speeds up the authorization procedure, which is handled automatically by a terminal rather than a sales clerk who makes a telephone call. "Their clerks like it," Mr. Brown said.

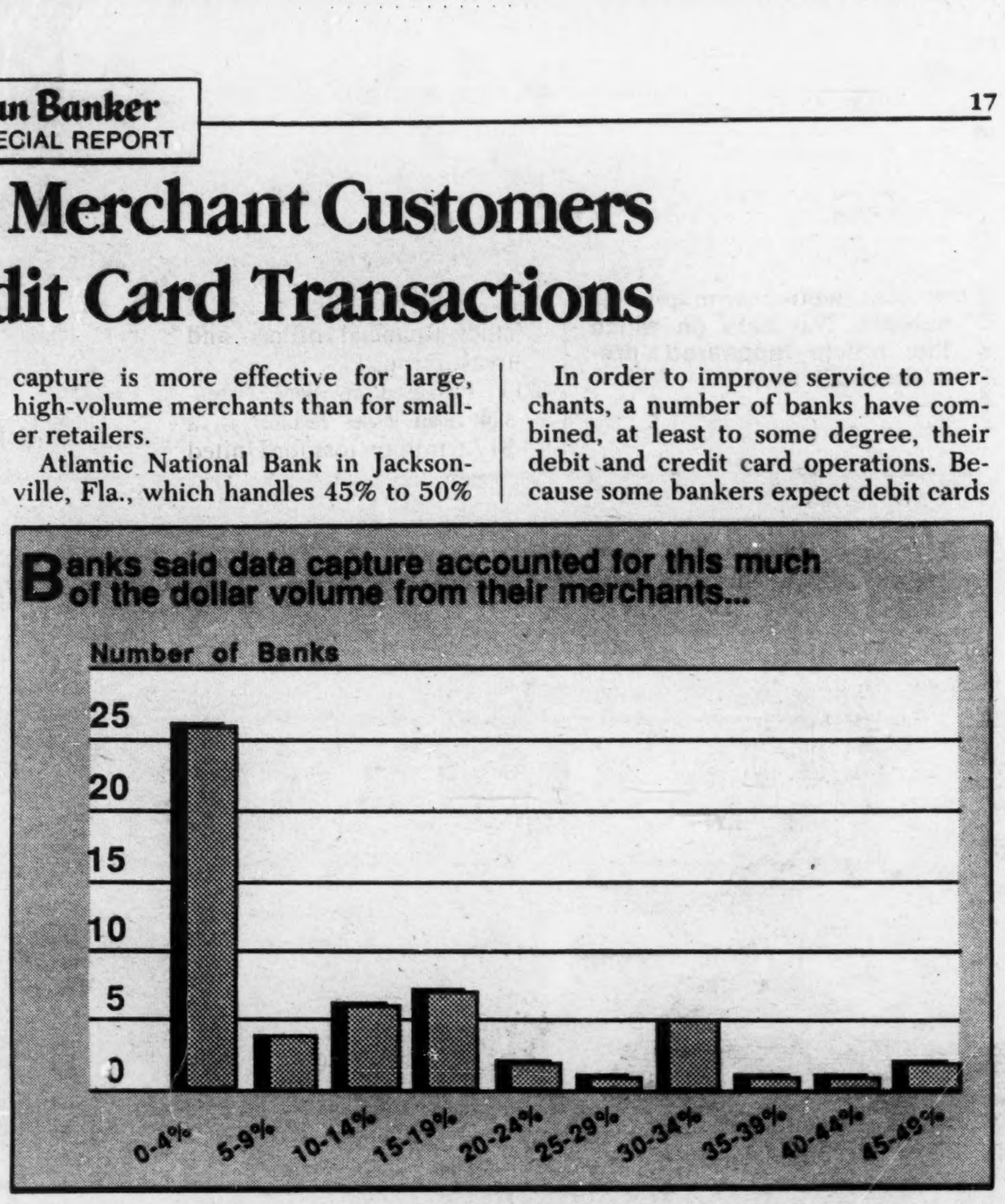
Banks planning to offer data capture in the next year...
Yes 9 *No* 6

At a few banks, data capture now represents 40% to 50% of total volume.

These are banks at which large merchants account for a disproportionate amount of the banks' volume. Data capture is more effective for large, high-volume merchants than for smaller retailers.

Atlantic National Bank in Jacksonville, Fla., which handles 45% to 50% of its merchant volume via data capture, has actively pursued nationwide merchants.

Banks said data capture accounted for this much of the dollar volume from their merchants...



"Our objective is, wherever possible, to go electronic with it wherever we sign it," said Jerry P. Bryant, vice president at Atlantic National.

Mr. Bryant said the ability to offer data capture is critical in the highly competitive field of handling big merchants' credit card business.

"That's very important — to be able to say we can provide these services to you," he said.

Another big data-capture bank also views the service as a competitive necessity. "The banks that I compete with here in my area all have the capacity," said an executive at this bank, which serves several large merchants and at which data capture represents 45% of total volume.

Banks that plan to combine these operations in the next year...
Yes 1 *No* 35

The merchant credit card business is generally competitive, but especially so for nationwide merchants. The discount fee, generally 2% to 4% of the sale for most merchants, is even lower for national merchants.

Often, banks sell the merchant credit card business as an adjunct to other services. For example, a bank might offer credit card handling to a retailer that has an account at the bank and is depositing its daily receipts.

Big Merchants See Only Cost

However, nationwide merchants often are motivated strictly by price.

"It's extremely competitive," Mr. Bryant of Atlantic National explained. "They'll change processors for five basis points or three basis points."

In order to improve service to merchants, a number of banks have combined, at least to some degree, their debit and credit card operations. Because some bankers expect debit cards to become an accepted payment device, they think that it makes sense to offer merchants credit and debit card service as a single package.

The same electronic terminal, for example, can authorize both debit and credit cards.

Banks that have combined debit and credit card operations...
Yes 28 *No* 37

The *American Banker's* survey found that 43% of responding banks have combined their debit and credit card operations. The consolidations can include a range of combinations, such as a single operation to market plastic-card services to merchants or a joint issuing operation.

"I think you're going to see every kind of organizational permutation you can imagine in the next few years," said Joel P. Friedman, the director of strategic management at Arthur Andersen & Co., San Francisco.

All of the banks with separate credit and debit card operations except one said they have no plans to combine them in the next year.

Mr. Bryant of Atlantic National, however, sees consolidation as inevitable. "I think everybody's headed that way," he said, attributing it to the operating similarities of the two types of cards.

"You can see a slow migration of everything coming over here," said Mr. Bryant, who works in the credit card operation at Atlantic National. With one exception, all of the banks with combined operations have put the joint operation under the jurisdiction of a credit card executive.

At Atlantic National, the credit card center already handles inventory control, embossing, and mailing of the bank's debit and credit cards. ■

Dear Reader, How Are We Doing?

The American Banker wants very much to make sure its coverage of the financial services industry meets your information needs. So would you spend a moment to give us some feedback on the American Banker Special Report **The Credit Card Boom**? Over the past year we have incorporated many of your suggestions to provide more meaningful information. Please return this questionnaire to William Zimmerman, Editor, American Banker, One State Street Plaza, New York, N.Y. 10004. Telephone (212) 943-5712.

(1) How useful was the information in this series?

(A) Very Useful ☐ (B) Useful ☐ (C) Not Useful ☐

(2) What do you like **best** about this series?

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(4) What other subjects would you like to see American Banker cover in an in-depth series of articles?

Name (optional) _____

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Thank you for helping us improve.

Correction

Beneficial National Bank USA, Wilmington, Del., was omitted from the table of top bank card issuers published Aug. 14 on page 1. Beneficial has one million accounts, ranking 16th on the list.

The table of top issuers of premium bank cards, published Aug. 14 on page 6, inaccurately stated the number of accounts at Chemical Bank, New York. Chemical has 8,300 accounts, which drops it off the list of the top 20 premium card issuers. ■

Marketing of Mutual Funds Will Be Topic of Conference

CORTE MADERA, Calif. — The Inter-Financial Association will sponsor a conference on the marketing of mutual funds through financial institutions Sept. 24-25 at the Drake Hotel in Chicago.

The conference will cover such topics as legal and regulatory requirements, mechanics, products, industry projections and market analysis, and will provide case histories of successful programs. For more information, call 415-924-1420. ■

TOP 300 BANKS IN DEPOSITS
TABLES START ON PAGE 39

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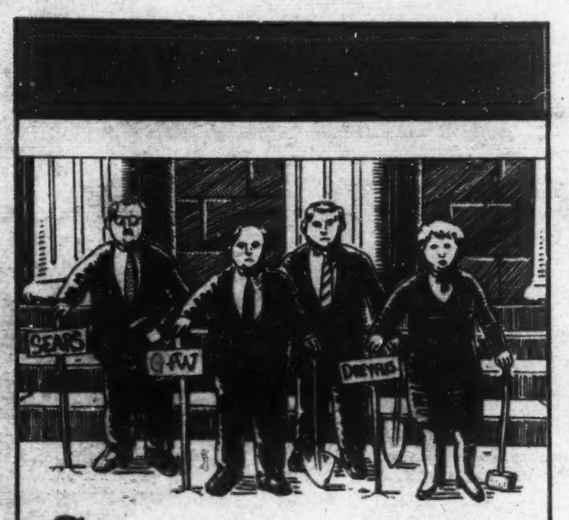

STAKING A CLAIM

— Feature Section Starts on Page 13

The emergence of nonbank banks has stirred up considerable controversy, as traditional bankers and their regulators have tried without success to boot the limited-service institutions from the financial services arena. The issue is at an impasse, with nonbank banks holding their ground. The *American Banker* looks at the strategies various contending companies are using to gain advantage.

ACROSS BORDERS: First American Bankshares Inc. said customers of its banks in Washington, D.C., Maryland, and Virginia would be able to make deposits in any of the three jurisdictions via automated teller machine..... 2

LOAN TO MEXICO: Mexico's major bank creditors have agreed to provide it with a $500 million short-term loan..... 2

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INDICTMENT: A federal grand jury has indicted Michael Hellerman for allegedly conspiring to defraud a Miami bank..... 3

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Videotex: Aiming at a larger audience than bank customers, Covidea has renamed its videotex product Target Information and Transaction Network. Users can subscribe separately to each of its services..... 7

OPPOSING CONTINENTAL ILLINOIS: A group of about 150 midwestern banks has launched a petition drive in opposition to Continental Illinois Corp.'s plan to acquire three suburban Chicago banks..... 8

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Wells Fargo Is 7th in Deposits

Takeover of Crocker Tops 1986 Merger Explosion

By L. MICHAEL CACACE

NEW YORK — Wells Fargo Bank, San Francisco, is now the seventh largest deposit-taking institution in the United States, with $32.6 billion in deposits on June 30. Its rapid growth, from 10th largest at yearend 1985, is due to its takeover of Crocker National Bank — one of a record number of bank mergers in the first half of 1986.

These are some of the findings of the *American Banker's* annual survey of the nation's top 300 commercial banks in total deposits on June 30.

Rankings of the Top 300 US Banks
Tables Begin on Page 39

In addition to the listing of the top 300 banks in deposit size order, there is a geographical listing of the top 300 banks which shows their June 30, 1986, deposits and assets.

The top six deposit takers remain unchanged from Dec. 31. Citibank, New York, which surpassed Bank of America in the yearend ranking, remained the top U.S. deposit taker on June 30 with $96.26 billion in deposits, up from $94.38 billion on Dec. 31.

Citibank was followed, in descending order, by Bank of America, San Francisco, and Chase Manhattan Bank, Manufacturers Hanover Trust Co., Morgan Guaranty Trust Co., and Chemical Bank, all based in New York.

Ranked eighth, ninth, and 10th, respectively, at June 30, were Security Pacific National Bank, Los Angeles; Bankers Trust Co., New York, and First National Bank of Chicago. These three dropped one place from the Dec. 31 rankings as a result of Wells Fargo's jump to the seventh spot.

In addition to its national growth, Wells Fargo has climbed into second place among deposit takers in California. Its $32.6 billion now ranks only behind the $88.6 billion-deposit Bank of America, and has surpassed Security Pacific National Bank, which had $32.5 billion in deposits on June 30.

At yearend 1985, Wells Fargo was the 10th largest bank and had $19.7 billion in deposits. On May 30, it merged with Crocker National Bank — the nation's 14th largest at yearend, with $15.1 billion in deposits.

This merger followed the acquisition of Crocker National Bank's parent, the Crocker National Corp., by Wells Fargo Bank's parent, Wells Fargo & Co., initiated last February. Wells Fargo & Co. acquired Crocker National Corp. from Midland Bank PLC for about $1.08 billion.

The merger of these two San Francisco giants, completed in May, was the largest of the record number of mergers involving the top 300 banks over the first half of 1986. Thirty-six of the top 300 banks acquired 71 other banks with combined total deposits of $32.5 billion during this period. The previous record for a January-June period was set in 1984, when 32 of the top 300 banks acquired 69 other banks with combined deposits totaling $10.2 billion.

Over the first half of 1985, only 23 of the top 300 banks signed merger agreements, acquiring 46 banks with

Top 300: Page 50 ➡

Top 10 Banks

(Ranked by deposits in billions of dollars)

6/30/86 Rank		Deposits	12/31/85 Rank
1.	Citibank	$96.26	1
2.	Bank of America	$88.63	2
3.	Chase Manhattan	$58.91	3
4.	Manufacturers Hanover	$45.37	4
5.	Morgan Guaranty	$42.14	5
6.	Chemical Bank	$34.89	6
7.	Wells Fargo Bank*	$32.58	14
8.	Security Pacific	$32.46	7
9.	Bankers Trust Co.	$28.66	8
10.	First Chicago	$24.82	9

*The bank merged with Crocker National Bank under Crocker's charter, so the data for 12/31/85 deposits are for Crocker.

BankAmerica Oregon Deal Now in Doubt

Orbanco Has 'Concerns' About Fate of Merger

By ROBERT LUKE

LOS ANGELES — Orbanco Financial Services Corp. has "serious concerns" about the ability of BankAmerica Corp. to consummate its purchase of the Oregon Bank for $57 million in cash.

The parent of Oregon's third largest bank is expected to express those concerns in a quarterly report to shareholders to be mailed shortly.

BankAmerica Corporation

ORBANCO FINANCIAL SERVICES CORPORATION

"We felt the recent announcement by BankAmerica of their earnings [a second-quarter loss of $640 million] certainly will have an impact on regulators approving the transaction," said Loretta Johnson, a spokeswoman for Orbanco, which is based in Portland.

Ms. Johnson stressed that Orbanco, which is in the process of liquidation, has received no word from BankAmerica, nor the Federal Reserve, which is considering the purchase application.

"BankAmerica has continued to state that they are still interested and committed to this transaction, and they have said it remains a high priority for them," Ms. Johnson said.

Peter Magnani, a BankAmerica spokesman, confirmed the company's continuing interest in acquiring the Oregon Bank.

"We're still pursuing it," he said.

The Federal Reserve Bank of San

Orbanco: Page 54 ➡

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